

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Integrity and Oversight



MEMORANDUM

TO: Stephen M. Cordi, Deputy Chief Financial Officer
Office of Tax and Revenue

FROM: Robert G. Andary, Executive Director
Office of Integrity and Oversight *RG Andary*

DATE: January 5, 2009

SUBJECT: Follow-up on Management Alert: OTR's Use of Dummy Accounts Increases the Risk of Impropriety in the Integrated Tax System (IA:OTR:2904-M01)

In our memorandum report of June 5, 2008, the Office of Integrity and Oversight (OIO) alerted the Office of Tax and Revenue (OTR) management to the use of dummy accounts within the Integrated Tax System (ITS). In summary, "dummy" accounts were used to post returns and payments to ITS that could not be posted correctly to taxpayers' accounts. The practice began as early as 2001 in ITS. In our alert to OTR management, OIO recommended that OTR cease the use of dummy accounts and begin to address the existing items in these accounts including the removal of converted remittances.

On December 30, 2008, it came to our attention that a Returns Processing Administration (RPA) employee used the Dummy account #4 (999-11-0000) on two occasions in July 2008 to transfer converted remits to two taxpayers' accounts. In the first instance, the taxpayer's payment of \$17,740 supposedly went to another District agency (Department of Consumer and Regulatory Affairs (DCRA)), and the agency would not transfer the payment to OTR; therefore, the employee took it upon himself to transfer a converted remit for \$17,740 within a dummy account to the taxpayer's account to satisfy the debt. The transfer of the converted remit decreased the taxpayer's tax liability to zero. We have attached screen prints to illustrate this transfer. (see Exhibit A)

In the second instance, the same employee tried to circumvent the procedure as it relates to IRS offsets and transferred \$225 from the dummy account to a taxpayer's account in order to advance the refund of \$225 due to the taxpayer. The attempt to advance the refund was not successful since the taxpayer still had an outstanding tax liability. The credit that was transferred was not removed from the taxpayer's account. We have attached screen prints to illustrate the transfer. (see Exhibit B)

In our management alert of June 5, 2008, OIO stated:

"The introduction of converted remits to an ITS dummy account poses a risk that an employee could transfer a portion or all of the converted payment to a taxpayer's account which could then generate a fraudulent refund or reduce the taxpayer's liability."

Moreover, we recommended that OTR discontinue the creation and use of dummy accounts, and the removal of all converted remittances posted to dummy accounts so that this type of action could be avoided.

OIO spoke to the employee's managers on December 31, 2008, regarding this employee's unauthorized actions. OIO, as well as RPA management, is concerned that the employee may have done this type of transfer in other instances. OIO auditors on site will analyze ITS transactions initiated by this employee to determine whether there are other transactions of this nature. We will promptly inform you of our findings. In the interim, we strongly recommend OTR suspend the employee's access to ITS until further notice.

We request a response to this follow-up letter and also OIO's two previous alerts on dummy accounts, dated June 5, 2008 and September 2, 2008, within ten business days from the date herein.

Should you have any questions or need additional information, please do not hesitate to contact Tisha Edwards, Audit Manager, at 478-9143 or me at 442-6433.

Attachments: Exhibit A: 4 pages
Exhibit B: 4 pages

cc: Lucille Dickenson, Chief of Staff, Office of the Chief Financial Officer
Glen Groff, Director of Operations, OTR
Dave Quinn, Acting Director, Returns Processing Administration, OTR
Mohamad Yusuff, Director, Internal Audit, OIO
Nelson Alli, Senior Audit Manager, Internal Audit, OIO
Tisha N. Edwards, Audit Manager, Internal Audit, OIO